

ID: CCA-407231-09

Number: **200920053**

Office:

Release Date: 5/15/2009

UILC: 72.00-00

---

**From:**

**Sent:** Tuesday, April 07, 2009 2:31 PM

**To:**

**Cc:**

**Subject:** MEC Surrender Charges

the plr dealt with a 1035 exchange of 1 contract into 2 contracts in which no cash was received. the question was how to equitably apportion cash value and basis among the 2 contracts for purposes of a future taxable event.

your fact pattern deals with surrender of an insurance contract and the tax consequences are governed by 72e5E which says

72e5A includes in income the difference between what was received in cash and the amount of the investment in the contract. the investment in the contract is defined under 72e6 as what you paid in premiums (less anything previously excluded). so based on your facts taxpayer has the correct answer.

be glad to chat anytime. we can set up a specific time if you prefer.